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SUBJECT: EAST JAVA MUDFLOW UPDATE: SIDOARJO REGENT PUTS PRIORITY ON
RESETTLEMENT AS TEMPER RISE IN ADVANCE OF COMPENSATION DEADLINE

REF: Surabaya 47 and previous

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This message is sensitive but unclassified. Please protect accordingly.

1. (SBU) Summary: As the May deadline for final compensation payments near, tempers are rising among those displaced by the disaster. An estimated 1,000 staged a demonstration April 28, protesting Lapindo's decision to end food ration payments to those living in the Porong Market on May 1. On April 25, displaced villagers living on the abandoned toll road begged local officials to improve living conditions. In a meeting with Surabaya Principal Officer, the Regent of Sidoarjo said the government placed priority on resettling the victims, while building the social, health, and education sectors of the entire regency. During speeches April 17 to mark the opening of a new toll road to the Surabaya airport, neither President Yudhoyono nor the East Java Governor mentioned the impact of the mudflow on the local community or economy. End Summary.

Resettling Victims While Developing Sidoarjo

2. (SBU) In a meeting with Surabaya Principal Officer on April 25, the Regent of Sidoarjo Win Hendrarso discussed the challenges local government faced in addressing the impact of the mudflow and investing in development throughout the regency. Win Hendrarso emphasized that the Sidoarjo government placed priority on resettling mudflow victims while continuing to improve and build on regency-wide social, health, and education sectors. The mudflow had a direct impact on the regency's budget revenues with the closure of factories, the loss of jobs, and the destruction of Sidoarjo's aquaculture industry.

3. (SBU) Win Hendrarso explained that the Sidoarjo government proved training and capital assistance to displaced families to reduce unemployment. After collecting data on the types of training needed and desired, the government offered three-month training programs in entrepreneurship, book keeping, and management skills. So far, the government has trained 5,521 people. The government also provided capital assistance of Rp 350,000-500,000 (USD 38-59) per family. The funding came from

the Sidoarjo government, UNDP, and the president's contribution to mudflow victims.

14. (SBU) Sidoarjo has launched a new program, "Sidoarjo Bangkit (Awake) to Develop the Future," to motivate residents (not just mudflow victims) to wake up and develop Sidoarjo. The program is aimed at convincing Indonesian investors to do business in Sidoarjo. Win Hendrarso commented that success depended on the willingness of the banking industry to operate in Sidoarjo. After the mudflow started, six of 18 districts were "blacklisted" and bankers were not permitted to give loans to customers or businesses living or operating in those six districts. Today, three districts (Jabon, Porong, and Tanggulangin) remain on the blacklist.

Demonstrations and Pleas for Help

15. (U) According to press reports, on April 28, an estimated 1,000 people displaced by the Sidoarjo mudflow staged a demonstration demanding that Lapindo continue food ration payments to families residing at the Porong Market. (Note: A similar, smaller demonstration took place on April 25.) The demonstrators were prevented from blocking the main East-West road to Surabaya by dozens of policemen and a water cannon. The demonstration ended after protestors met with the Deputy Regent of Sidoarjo, who promised to bring their demands to the attention of Governor Imam Utomo. According to the company, Lapindo has been paying Rp 2.5 million/year (USD 275) in rental assistance to each family and Rp 300,000/month (USD 33) in living costs to each person from the impact area, including those still living in the Porong Market. Lapindo announced plans to end all such payments on May 1, 2008.

16. (SBU) At the invitation of the Regent's wife, Surabaya Principal Officer joined the members of the Forum Perempuan Peduli (FPP -- Women Who Care) for a visit to a tent camp for villagers displaced by the mudflow on April 25 as part of Earth Day events (septel). Approximately 1,000 people (272 families)

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have been living in tents set up on the abandoned toll road since their village was inundated with mud almost three months ago. This group is awaiting compensation from the central government as they do not qualify for compensation from Lapindo.

17. (SBU) The villagers begged the regent's wife for assistance to improve living conditions. Clean water is limited, with 80 families sharing a tank of water that is delivered every day. Toilet facilities are inadequate and food is primarily instant noodles. The villagers also complained that children are attending classes only two hours a day. The Regent noted to ConGen that the villagers had refused offers to relocate them to better facilities in the Porong market, where other displaced visitors have been living pending compensation.

MCCLELLAND